

110TH CONGRESS
1ST SESSION

H. R. 2737

To amend the Internal Revenue Code of 1986 to allow previously uninsured individuals a refundable credit for health insurance costs and to provide tax incentives to encourage small business health plans.

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 2007

Mr. BOSWELL (for himself and Mr. BISHOP of Georgia) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow previously uninsured individuals a refundable credit for health insurance costs and to provide tax incentives to encourage small business health plans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Health Care Relief
5 Act of 2007”.

1 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
 2 **COSTS OF PREVIOUSLY UNINSURED INDIVID-**
 3 **UALS.**

4 (a) ALLOWANCE OF CREDIT.—

5 (1) IN GENERAL.—Subpart C of part IV of sub-
 6 chapter A of chapter 1 of the Internal Revenue Code
 7 of 1986 (relating to refundable personal credits) is
 8 amended by redesignating section 36 as section 37
 9 and by inserting after section 35 the following new
 10 section:

11 **“SEC. 36. HEALTH INSURANCE COSTS OF PREVIOUSLY UN-**
 12 **INSURED INDIVIDUALS.**

13 “(a) ALLOWANCE OF CREDIT.—In the case of a pre-
 14 viously uninsured individual, there shall be allowed as a
 15 credit against the tax imposed by this subtitle for the tax-
 16 able year an amount equal to the amount paid by the tax-
 17 payer during such taxable year for health insurance cov-
 18 erage for the taxpayer and the taxpayer’s spouse and de-
 19 pendants.

20 “(b) LIMITATION.—The amount allowed as a credit
 21 under subsection (a) for the taxable year shall not exceed
 22 \$1,000 (\$2,000 in the case of a joint return filed by 2
 23 previously uninsured individuals).

24 “(c) DEFINITIONS.—For purposes of this section—

25 “(1) PREVIOUSLY UNINSURED INDIVIDUAL.—
 26 The term ‘previously uninsured individual’ means

1 any individual who had no health insurance coverage
 2 at any time during the 6-month period before the
 3 earliest date that such individual has health insur-
 4 ance coverage by reason of the payments taken into
 5 account under subsection (a).

6 “(2) HEALTH INSURANCE COVERAGE.—The
 7 term ‘health insurance coverage’ has the meaning
 8 given to such term by section 9832(b)(1).

9 “(d) SPECIAL RULES.—

10 “(1) COORDINATION WITH OTHER BENEFITS.—
 11 The amount which would (but for this paragraph) be
 12 taken into account by the taxpayer under sections
 13 35, 162(l), 213, 220, or 223 for the taxable year
 14 shall be reduced by the credit allowed by this section
 15 to the taxpayer for such year.

16 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No
 17 credit shall be allowed under this section to any indi-
 18 vidual with respect to whom a deduction under sec-
 19 tion 151 is allowable to another taxpayer for a tax-
 20 able year beginning in the calendar year in which
 21 such individual’s taxable year begins.”.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (2) of section 1324(b) of title
 24 31, United States Code, is amended by inserting “,
 25 36,” after “35”.

1 (2) The table of sections for subpart C of part
 2 IV of subchapter A of chapter 1 of the Internal Rev-
 3 enue Code of 1986 is amended by striking the last
 4 item and inserting the following:

“Sec. 36. Health insurance costs of previously uninsured individuals.
 “Sec. 37. Overpayments of tax.”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2007.

8 **SEC. 3. CREDIT FOR HEALTH INSURANCE EXPENSES OF**
 9 **SMALL BUSINESSES.**

10 (a) IN GENERAL.—Subpart D of part IV of sub-
 11 chapter A of chapter 1 of the Internal Revenue Code of
 12 1986 (relating to business-related credits) is amended by
 13 adding at the end the following:

14 **“SEC. 450. SMALL BUSINESS HEALTH INSURANCE EX-**
 15 **PENSES.**

16 “(a) GENERAL RULE.—For purposes of section 38,
 17 in the case of a small employer, the health insurance credit
 18 determined under this section for the taxable year is an
 19 amount equal to 35 percent of the expenses paid by the
 20 taxpayer during the taxable year for health insurance cov-
 21 erage for such year provided under a new health plan for
 22 employees of such employer.

23 “(b) LIMITATIONS.—

1 “(1) PER EMPLOYEE DOLLAR LIMITATION.—

2 The amount of expenses taken into account under
3 subsection (a) with respect to any employee for any
4 taxable year shall not exceed—

5 “(A) \$800 in the case of self-only coverage,
6 and

7 “(B) \$2,000 in the case of family coverage.

8 In the case of an employee who is covered by a new
9 health plan of the employer for only a portion of
10 such taxable year, the limitation under the preceding
11 sentence shall be an amount which bears the same
12 ratio to such limitation (determined without regard
13 to this sentence) as such portion bears to the entire
14 taxable year.

15 “(2) PERIOD OF COVERAGE.—Expenses may be
16 taken into account under subsection (a) only with
17 respect to coverage for the 4-year period beginning
18 on the date the employer establishes a new health
19 plan.

20 “(3) EMPLOYER MUST BEAR 65 PERCENT OF
21 COST.—Expenses may be taken into account under
22 subsection (a) only if at least 65 percent of the cost
23 of the coverage (without regard to this section) is
24 borne by the employer.

25 “(c) DEFINITIONS.—For purposes of this section—

1 “(1) HEALTH INSURANCE COVERAGE.—The
2 term ‘health insurance coverage’ has the meaning
3 given such term by section 9832(b)(1).

4 “(2) NEW HEALTH PLAN.—

5 “(A) IN GENERAL.—The term ‘new health
6 plan’ means any arrangement of the employer
7 which provides health insurance coverage to em-
8 ployees if—

9 “(i) such employer (and any prede-
10 cessor employer) did not establish or main-
11 tain such arrangement (or any similar ar-
12 rangement) at any time during the 2 tax-
13 able years ending prior to the taxable year
14 in which the credit under this section is
15 first allowed, and

16 “(ii) such arrangement provides
17 health insurance coverage to at least 70
18 percent of the qualified employees of such
19 employer.

20 “(B) QUALIFIED EMPLOYEE.—The term
21 ‘qualified employee’ means any employee of an
22 employer and shall include a leased employee
23 within the meaning of section 414(n).

1 “(3) SMALL EMPLOYER.—The term ‘small em-
2 ployer’ has the meaning given to such term by sec-
3 tion 4980D(d)(2); except that—

4 “(A) only qualified employees shall be
5 taken into account, and

6 “(B) such section shall be applied by sub-
7 stituting ‘100 employees’ for ‘50 employees’.

8 “(d) SPECIAL RULES.—

9 “(1) CERTAIN RULES MADE APPLICABLE.—For
10 purposes of this section, rules similar to the rules of
11 section 52 shall apply.

12 “(2) AMOUNTS PAID UNDER SALARY REDUC-
13 TION ARRANGEMENTS.—No amount paid or incurred
14 pursuant to a salary reduction arrangement shall be
15 taken into account under subsection (a).

16 “(3) INFLATION ADJUSTMENT.—In the case of
17 any taxable year beginning in a calendar year after
18 2008, each dollar amount contained in subsection
19 (b) shall be increased by an amount equal to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar
23 year in which the taxable year begins, deter-
24 mined by substituting ‘calendar year 2006’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 Any increase determined under the preceding sen-
4 tence shall be rounded to the nearest multiple of
5 \$50.

6 “(e) TERMINATION.—This section shall not apply to
7 expenses paid or incurred by an employer with respect to
8 any arrangement established on or after January 1,
9 2014.”.

10 (b) CREDIT TO BE PART OF GENERAL BUSINESS
11 CREDIT.—Section 38(b) of such Code (relating to current
12 year business credit) is amended by striking “plus” at the
13 end of paragraph (30), by striking the period at the end
14 of paragraph (31) and inserting “, plus”, and by adding
15 at the end the following:

16 “(32) in the case of a small employer (as de-
17 fined in section 45O(c)(3)), the health insurance
18 credit determined under section 45O(a).”.

19 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C of
20 such Code is amended by adding at the end the following
21 new subsection:

22 “(e) CREDIT FOR SMALL BUSINESS HEALTH INSUR-
23 ANCE EXPENSES.—

24 “(1) IN GENERAL.—No deduction shall be al-
25 lowed for that portion of the expenses (otherwise al-

1 lowable as a deduction) taken into account in deter-
2 mining the credit under section 45O for the taxable
3 year which is equal to the amount of the credit de-
4 termined for such taxable year under section
5 45O(a).

6 “(2) CONTROLLED GROUPS.—Persons treated
7 as a single employer under subsection (a) or (b) of
8 section 52 shall be treated as 1 person for purposes
9 of this section.”.

10 (d) CLERICAL AMENDMENT.—The table of sections
11 for subpart D of part IV of subchapter A of chapter 1
12 of such Code is amended by adding at the end the fol-
13 lowing:

“Sec. 45O. Small business health insurance expenses.”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to amounts paid or incurred in tax-
16 able years beginning after December 31, 2007, for ar-
17 rangements established after the date of the enactment
18 of this Act.

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